



Testimony of Denise L. Nappier
Treasurer of the State of Connecticut
SUBMITTED TO THE APPROPRIATIONS COMMITTEE
FEBRUARY 25, 2011

Good morning Senator Harp, Representative Walker, and all of the members of the Appropriations Committee. Thank you for this opportunity to appear before you to testify concerning the general fund budget for both the Office of the Treasurer and for debt service, as proposed by Governor Malloy, for the Fiscal Year 2012 through 2013 Biennium.

I would like to begin by acknowledging the challenging task before you to fashion a budget in the midst of such difficult economic times. Notwithstanding these challenges, I would like to share three bright spots that suggest improvements in the financial markets.

First, we are seeing solid performance with our pension fund assets. For Fiscal Year 2011 to date, the Connecticut Retirement Plans and Trust Funds have returned 14.9% or \$3.2 billion from investment performance.

Second, our Short-Term Investment Fund (STIF) has performed well. STIF exceeded its primary benchmark by 17 basis points, representing an additional \$8.4 million in interest income for state and local governments and their taxpayers.

And third, we are on track to bring in more unclaimed property revenues for Fiscal Year 2011 than was estimated in the current year's budget -- an additional \$42 million over and above what the budget has forecast.

Now, I will turn to the threshold question that was provided to us in anticipation of this hearing: what impact, if any, would the proposed budget have on the services we provide?

The proposed agency general fund budget represents a cut of 3.1 percent from the Treasury's current services budget for Fiscal Year 2012, for a total dollar value of roughly \$130,565. We believe that this funding level will allow us to continue to carry out core Treasury functions without interruption to the services we provide.

The debt service budget, as proposed, is appropriate. My staff worked closely with the Office of Policy & Management in providing the figures that form the basis for it, and the Governor's proposal is generally in accord with those discussions.

A comment about the State's overall indebtedness: you may be interested to know that I have actively worked to reduce the cost of the debt that the State has on its books. My administration has worked hard to drive down the cost of borrowing, and to date we have reduced the cost of future debt service payments by approximately \$656 million.

With that said, should this Committee decide to endorse the Governor's proposal as it relates to the Treasury's agency and debt service budgets, we would support that.

And lastly, given the collective attention we all are paying to maximizing efficiency within state government, I would like to end with a general comment about the trends we have seen with the Treasury agency budget. As you know, I am responsible for the management and investment of all funds for the State — which includes the State's common cash pool, its pension and trust assets, as well as the issuance of all debt. Moreover, the state treasurer is charged with ensuring the safe custody of all funds belonging to the State. All told, the value of funds under the Treasurer's purview exceeds \$50 billion.

Throughout my administration, I have been committed to fulfilling these responsibilities in the most efficient way possible – and have done so with fewer staff. Since 2005, the total number of authorized positions within the Treasury has declined by 25 percent – from 221 to 166 in 2010. And for the ten year period from 2000 to 2010, the general fund budget declined, when adjusted for inflation, by 25 percent.

Thank you for the opportunity to offer input on this budget process. I would be happy to take any questions that you may have.